



THE ARIZONA DISTRICT OFFICE

DISPATCH

Information for the Small Business Community

April 2007

"SBA – Your Small Business Resource"

U.S. Small Business Administration

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Director's Message

I'm pleased to announce a new counseling service that the Arizona District Office of the Small Business Administration will begin offering on May 1 to small businesses owners who are considering seeking a bank loan to help finance their business. This new, no cost, confidential service is designed to offer a candid determination of whether the prospective borrower may be approved for an SBA loan before they approach an SBA participating lender.

We've found that so many small business owners are surprised to learn that applying for a commercial loan is nothing like applying for a typical consumer loan. The process requires more paperwork, financial and credit data, personal history, patience and time. Our new service is designed to help remove some of those obstacles by telling the prospective borrower whether they will qualify for an SBA loan, what paperwork they may be missing and what hurdles they can expect in the loan process. Our goal is to help set realistic expectations for the small business borrower.

Some may find that they are not qualified. In those cases we will offer alternatives to traditional funding sources such as microlenders or private investors, and as needed direct them to local, no-cost business counseling resources.

There is no guarantee that an SBA lender will approve a loan as a result of this service alone, as each bank has its own credit and lending criteria and documentation and review requirements. However, we do expect the service to ease the process for the potential borrower and offer a reasonable assurance that the borrower should be in relatively good standing with the bank going in. SBA will recommend several lenders to those prospective borrowers found to be bankable. SBA works with over 60 lenders throughout the state including banks, credit unions and development companies.

Prospective borrowers interested in this service should register on the SBA website at www.sba.gov/az where they will find a quick link entitled "Online Registration." Select "SBA Pre-Approval Assistance" from the drop down menu to start the process.

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Did You Know?

* The SBA guaranteed a record \$1.1 billion in small business loans in Arizona in 2006 and, according to Arizona State University, the trickle-through effect on the State's economy of all of SBA's programs was over \$21 billion for the year.

* Last year, SBA and its technical assistance partners counseled nearly 1.5 million entrepreneurs.

* Small businesses drive a tremendous amount of the innovation in our country: small patenting firms produce 13 to 14 times more patents per employee than their larger competitors do.

* The state added a net 134,800 jobs in 2006, which was the largest numerical gain ever recorded, according to economist Elliot Pollack. One out of every 20 jobs created in the U.S. was in Arizona.

SBA Advice: Mapping Your Business With a Plan

You wouldn't start out on a cross-country trek without a map, so why would you want to try to start a business without a business plan?

A business plan precisely defines your business, identifies your goals, and serves as your firm's resume. It helps you allocate resources properly, handle unforeseen complications, and make good business decisions. Because it provides specific and organized information about your company and how you will repay borrowed money, a good business plan is a crucial part of any loan application. Additionally, it informs sales personnel, suppliers, and others about your operations and goals.

The importance of a comprehensive, thoughtful business plan cannot be overemphasized. One of the greatest benefits is that putting a plan together forces you to sit down and map out exactly how you expect to make your business idea successful. Much hinges on it: outside funding, credit from suppliers, management of your operation and finances, promotion and marketing of your business, and achievement of your goals and objectives.

Despite the critical importance of a business plan, many entrepreneurs drag their feet when it comes to preparing a written document. They argue that their marketplace changes too fast for a business plan to

SUCCESS STORY: New Business Succeeds with Counseling from SBA Partner

APACHE JUNCTION PEDIATRICS

Jan Gradle, owner and manager of Apache Junction Pediatrics, is a certified nurse practitioner who has been working with women and children since 1976. Now, not only are her clients continuing to grow, but so is her new practice.

Among the many things she has done during her career, Jan worked as an elementary school nurse for three years. It was then that Gradle first noticed the local need for pediatric healthcare. There were no pediatric healthcare providers within 30 miles of Apache Junction. With encouragement from family and counseling from the Central Arizona College Small Business Development Center (SBDC), Gradle made the decision to start her own practice and in February 2005 Apache Junction Pediatrics opened its doors.

Success came quickly. The practice experienced rapid growth, growing from 2 employees to 13 and from \$400,000 in revenues to \$875,000 in just two years. Gradle credits her success to a number of reasons. Among those was the counseling she received from the SBDC. One of the biggest hurdles she faced in getting started was obtaining sufficient funding to build her practice. Her SBDC counselor coached her on how

SBA EVENTS:

May 2, 2007

Selling to the Federal Government at SBA District Office in Phoenix. Contact Luz Guerrero 602-745-7232 or register online at www.sba.gov/az.

May 2, 2007

SCORE Loan Clinic at SBA District Office in Phoenix. Contact SCORE at 620-745-7250 or register online at www.sba.gov/az.

For a calendar of business training events put on by SBA's resource partners throughout the state visit www.sba.gov/az and navigate to the events calendar.

SBA RESOURCE PARTNERS:

SCORE

SCORE, "Counselors to America's Small Business" is a national organization of volunteers that offers free confidential one-on-one business counseling. For a chapter and counselors in your area consult www.score.org and enter your zip code.

SMALL BUSINESS DEVELOPMENT CENTERS

Small Business Development Centers are allied with community colleges throughout the state. The centers offer free confidential one-on-one business counseling and often offer seminars on business related topics. For information on a center in your area consult www.asbdc-us.org and select Arizona.

WOMEN'S BUSINESS CENTERS

There are two Women's Business Centers in the state. Each offers counseling and mentoring services to small businesses and counsels both men and women. Both are also micro-lenders offering loans from \$100 to \$35,000.

Phoenix: Self Employment Loan Fund, 1601 N. 7th St., Suite 340 Phoenix, AZ 85006 (ph) 602-340-8834 www.selfloanfund.org

Tucson: Microbusiness Advancement Center, 330 N. Commerce Park Loop, Suite 160 Tucson, AZ 85745 (ph) 520-620-1241 www.mac-sa.org

Pediatrics continued:

to deal with bank loan officers when looking for funds and even in dealing with landlords during negotiations for a location, helping her overcome delays and frustrations. In the end Gradle received approval on a \$340,000 U.S. Small Business Administration (SBA) guaranteed loan. The SBA guarantees loans to increase access to capital for small businesses that are starting up or looking to expand.

Those funds were a significant portion of the start-up capital she needed to get her business off the ground. She's succeeded for other reasons too. She is known as an expert in the area, having gained good exposure to the community while working as a school nurse. She has extensive experience with special needs children and she is involved in the community

both through the local chamber of commerce and the Community Alliance Against Family Abuse. She also offers students internship opportunities.

Despite her success, Gradle continues to work with SBDC counselors to "fine tune" her business to improve profitability. Of her experience with her counselor Jan says, "She was always accessible. Even when I sought help from consultants in the medical field she saved me money by pointing out the things that I could do for myself rather than paying them to do. She was terrific."

Small Business Development Centers are resource partners of the U.S. Small Business Administration, are affiliated with colleges throughout the state, provide free one-on-one business counseling and typically offer seminars on a broad array of business topics.

Jan has continued to learn from the SBDC by attending a video conference course for supervisors that included information on labor laws and also a course on how to use Quickbooks.

Jan's advice to others: "You need to start with a business plan. Do your own because then you'll know your business. Networking is huge. Build a local network of advisors and work with someone who can help you develop your business skills."

Her secret to success: "I surround myself with quality people, and I demand high

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Pediatrics continued:

quality from my staff. What I don't know, I seek out. Most of all, enjoy what you are doing and do it well. It's important to create a pleasant working environment and include people in decision making. Work smarter, not harder."

Business Plan continued:

when it comes to preparing a written document. They argue that their marketplace changes too fast for a business plan to be useful or that they just don't have enough time. But just as a builder won't begin construction without a blueprint, eager business owners shouldn't rush into new ventures without a business plan.

There are four core questions to answer before you begin writing your business plan. What service or product does your business provide and what needs does it fill? Who are the potential customers for your product or service and why will they purchase it from you? How will you reach your potential customers? Where will you get the financial resources to start your business?

Although there is no single formula for developing a business plan, some elements



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are common to all business plans. Your plan should start with a cover sheet, a statement of your business purpose and a table of contents. Then start with a section about your business idea: describe your business, tell how you plan to market it, review your competition, describe the operating procedures you plan to adhere to, discuss your plans for employees, and how you plan to hire and train them, and describe your approach to insuring the business.

Next, you'll want to provide detailed financial data, including and loan applications you will file, a list of the equipment and supplies you will need and how much they will cost, a balance sheet showing your assets and liabilities, an analysis of what it will take for you to break even, and a projection of your business' income, including anticipated profits and losses.

Your financial data should also be organized in a three-year summary, with detailed projections of cash flow, costs and income, organized month-by-month for the first year and quarter-by-quarter for the second and third years. Be sure to include a discussion of the assumptions on which your projections are based.

You should also have an executive summary in which you summarize the plan, and be prepared to attach supporting documents and financial projections. The supporting documents should include resumes and tax returns of the principal owners for the previous three years, a copy of a franchise agreement

if your business is a franchise, copies of proposed leases or purchase agreements for business space, copies of licenses and other legal documents, and copies of letters of intent from suppliers and known customers.

You can find a detailed guide to producing a solid business plan on the SBA Web site at <http://www.sba.gov/smallbusinessplanner/plan/writeabusinessplan/index.html>. The SBA also offers a comprehensive guide to starting a business on its Web site at http://www.sba.gov/starting_business/index.html.

SBA Honors Arizona's Entrepreneurs and Small Business Champions

At SBA's annual Small Business Week Awards Ceremony on April 11, before an audience of over 700 at the Phoenix Convention Center, Arizona small businesses and business champions received awards in the categories of: Small Business Persons of the Year, Veteran Small Business Champion of the Year, Women in Business Champion of the Year, Minority Small Business Champion of the Year, Small Business Exporter of the Year, Small Business Journalist of the Year, Small Business Advocate of the Year, Financial Services Champion of the Year, and the Jeffrey Butland Family-Owned Business of the Year. A list of the award winners and their business bios is available online at www.sba.gov/az under "News".